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March 12, 2012

Mr. Jonathan Carroll
Lazarus Texas Refinery I, LLC
801 Travis, Suite 2100
Houston, Texas 77002

Re: Scope of Work for Oversight on Cleaning of Tanks 7, 12, 30 and 27; Oversight on Installation of Wastewater Treatment System and Construction of Irrigation Field; Operation of the Treatment System and Land Application of Treated Wastewater; Oversight on Reclamation of Oil in Sludge from Tank 26 through Centrifuging; and Oversight on Disposal of Waste, Falcon Refinery Federal Superfund Site, Ingleside, TX.

Dear Mr. Carroll:

TRC Environmental Corporation (TRC) is submitting Schedule A, which is referenced in the attached Consulting Agreement to Lazarus Texas Refinery I, LLC for the regulatory oversight of activities associated with Tanks 7, 12, 30 and 26, construction management of the irrigation remediation system, operation of the wastewater treatment system, regulatory oversight of the reclamation of oil from sludge in Tank 26 through centrifuging, and oversight on the disposal of residual solids and fiberglass insulation. This proposal provides a cost estimate for the Tasks described below at the Falcon Refinery site.

The oversight during the installation of a wastewater treatment system and construction of an irrigation field by a subcontractor, as well as the system operation and regulatory support by TRC will provide the opportunity to verify the conditions for land application that were recommended by the Texas Commission on Environmental Quality (TCEQ) in its *December 20, 2011 Approval to Conduct On-Site Wastewater Treatment and Irrigation at the Falcon Refinery*. This oversight will allow TRC to satisfy the reporting requirements set forth by the TCEQ. The following discusses the proposed scope of work and estimated cost.

REGULATORY OVERSIGHT OF THE REMOVAL OF WATER/SLUDGE AND CLEANING OF TANKS 7, 12, 26 AND 30

Task 1



This task will address the oversight during the removal and cleaning of water and sludge from Tanks 7, 12, 26 and 30. TRC will provide oversight for the tank cleaning that will be conducted by a subcontractor. Remaining liquids that are removed from Tanks 7, 12, and 30 will be placed into Tank 26 where the liquid will be treated prior to the land application of the treated wastewater.

CONSTRUCTION OVERSIGHT OF THE INSTALLATION OF WATER TREATMENT SYSTEM AND CONSTRUCTION OF IRRIGATION FIELD

Task 2

This scope of work includes the installation of the water treatment system and construction of irrigation field for the land application of treated water at the site. The TCEQ has authorized the land application of treated water from Tank 26 for the growing of native grasses at the site. The work in this task is estimated to take three weeks. The treatment system will be installed 7 days after receiving authorization to proceed with the scope of work. The construction of the irrigation fields will be completed in 14 to 21 days.

While a wastewater discharge permit was not required for this application, the TCEQ has authorized and requested specific conditions and rates for irrigation, the collection and analyses of certain wastewater pollutants as well as the sampling of soils from the land application area. TRC will conduct these activities onsite during the installation, construction and operation of the system to provide the guidance to control and oversee this critical phase of the project. To comply with a February 13, 2012 request that TRC submit a Wastewater Treatment and Irrigation Plan from Mr. Gary Moore of the U.S. Environmental Protection Agency, TRC will prepare a Wastewater Treatment and Irrigation Plan and submit the document to EPA before operating the wastewater treatment system.

OPERATION AND MAINTENANCE OF WATER TREATMENT SYSTEM AND IRRIGATION FIELD

Task 3

The operation and maintenance of the water treatment system will require a full time person to operate and maintain (fuel and oversee) the pumps and irrigation system throughout the entire day that the treatment and irrigation system is in operation. TRC will operate the water treatment system and collect the necessary water samples and submit the results to the TCEQ. The system will require approximately 120 days of operation. Costs include the use of a rental truck, purchasing of diesel, a storage tank/pump to fuel the diesel pumps and pressurize flow of water at the treatment and irrigation system.

In the *December 20, 2011 Approval to Conduct On-Site Wastewater Treatment and Irrigation at the Falcon Refinery*, the TCEQ has set *Conditions for Land Application* that requires that water samples are to be collected for the analysis of effluent concentrations of certain pollutants. The conditions also require the submittal of the water analysis to TCEQ for its review and development of the treatment

goals. The water analysis will consist of the parameters that are specified in Attachment B Tables 1 & 2 of the TCEQ's December 20, 2011 Approval letter. The suite of analysis for both Tables 1 and 2 are comprised of 22 and 19 separate chemical parameters, respectively.

The *Conditions for Land Application* also requires the analysis of soil from root zones from the irrigation field, when irrigating, for the period between December and February annually. The samples submitted for analysis must be sample composites. A sample composite shall consist of a subset of 10 to 12 soil samples for each 5.52 acre irrigation area. A composite must be submitted for soils sampled from 0-6", 6"-18", and 18"-30" of depth below ground level. Composites shall be submitted for each crop and separate soil type for analysis and reporting. A sample suite for TestAmerica and its subcontractor Energy Laboratories from College Station, Texas will consist of the nine separate soil parameters that have been specified by the TCEQ.

OVERSIGHT ON RECLAMATION OF OIL IN TANK SLUDGE FROM TANK 26 THROUGH CENTRIFUGING

Task 4

This Task provides for the reclamation of oil from the tank sludge by centrifuging the sludge after wastewater from Tank 26 has been removed and treated. TRC will provide oversight on the reclamation effort. Subcontractor(s) will provide labor to setup, support, operate the centrifuge, and decontaminate equipment at the completion of the task.

Prior to the transportation and disposition of the residual solids, approximately 16 samples of residual solids (1 sample/roll off box) will be collected and submitted to TestAmerica for analysis of waste characteristics. The residual solids will be tested for K-169 waste characteristics. The analysis and test results will enable the identification of such waste characteristics. The waste documentation will support and comply with the state and federal requirements to have and submit a waste profile for the waste disposal facility.

OVERSIGHT DURING DISPOSAL OF TREATABLE SOLIDS AND FIBERGLASS INSULATION

Task 5

TRC proposes to oversee disposal of the residual treatable solids that result from the treatment of the water in Tank 26 and the fiberglass insulation that is currently on site. The treatable waste will be transported to and disposed of at a facility that is approved to accept industrial waste (U.S. Ecology, in Robstown, TX). The fiberglass insulation that is currently onsite will be collected, transported and disposed of as Class II Non-hazardous waste at BFI's El Centro facility in Robstown, TX.

FALCON REFINERY COSTS

Task 1 is estimated to cost \$17,380 and will require approximately 18 days to perform.

Task 2 is estimated to cost \$17,380 and will require approximately 21 days to perform.

Task 3 is estimated to cost \$119,385 and will require approximately 16 weeks to perform.

Task 4 is estimated to cost \$10,766 and will require approximately nine weeks to perform.

Task 5 is estimated to cost \$21,129 and will require approximately one week to complete.

Total estimated cost is \$182,321.

AUTHORIZATION TO PROCEED

The attached table presents a breakdown of estimated costs.

TRC respectfully requests permission to implement the tasks as outlined in this proposal. Your signature on the attached Authorization to Proceed form and on the Master Services Agreement will authorize TRC to proceed with the services outlined in this proposal. Please return the signed authorization form to our office via facsimile at (512) 684-3351 or e-mail scan.

We appreciate the opportunity to assist Lazarus Texas Refinery I, LLC in this matter and we look forward to working with you on this assignment. Should you have any questions regarding our proposed scope of work or require adjustments to our approach or schedule, please feel free to contact me at (512) 684-3351.

Regards,



Stephen Halasz, P.G.
Program Manager

Table 1 Itemized Cost Estimate

Task	Effort	Cost
Task 1	Oversight on Cleaning of Tanks 7, 12, 26, and 30	\$17,380
Task 2	Oversight on Installation of Treatment System and Construction of Irrigation Field	\$17,380
Task 3	TRC Operation & Maintenance of Treatment System and Irrigation Field TestAmerica Laboratory Services	\$119,185
Task 4	Oversight on Reclamation of Oil in Tank Sludge from Tank 26 through Centrifuging and includes TestAmerica Laboratory Services	\$21,129
Task 5	Oversight on Disposal of Treatable Solids and Fiberglass Insulation	\$7,247
Total Estimated Cost		\$ 182,321

ATTACHMENT

Authorization to Proceed

The CLIENT (Lazarus Texas Refinery I, LLC) hereby authorizes the CONSULTANT (TRC Environmental Corporation) to conduct the scope of work as outlined in this proposal and adjust project budget by change order amount.

Project:

- Regulatory oversight on Cleaning of Tanks 7, 12, 30 and 27;
- Construction Management of the Installation of Wastewater Treatment System and Construction of Irrigation Field;
- Operation and Maintenance of the Treatment System and Land Application of Treated Wastewater;
- Oversight on Reclamation of Oil in Sludge from Tank 26 through Centrifuging; and
- Oversight on Disposal of Waste at Falcon Refinery Federal Superfund Site, Ingleside, TX.

Estimated Total Cost \$183,321

CLIENT


Representing Lazarus Texas Refinery I, LLC

3/21/12
Date

Print Name: Jonathan Carroll

Title: President

Please return a signed copy of this Authorization to Proceed Form to TRC via facsimile at (512) 329-8750 or e-mail scan. Should you have any questions, please feel free to contact the TRC Austin office at (512) 684-3351.

